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Rural Lines

RURAL ELECTRIFICATION ADMINISTRATION

U. S. DEPARTMENT OF AGRICULTURE



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A Message from the **ADMINISTRATOR**

REA and its telephone borrowers have paved the way to operational economies and improvements in a decade which has seen the whole character of the independent telephone industry change. The picture has shifted from thousands of very small, obsolete, marginal operations to a smaller number of consolidated, modern, successful enterprises.

From operating data which borrowers report to REA, we prepare each year an analysis of how REA financing is being used to improve and expand rural telephone service. We have just finished compiling the statistics on borrowers' operations in 1960.

Among the most significant figures in this report are those which show a continuing reduction of deficit operations and a strong trend toward satisfactory margins. Of the 685 telephone borrowers reporting to REA on their 1960 operations, 182 showed deficits on an accrual basis. This compares with 224 deficit operations in 1959 and 255 in 1958. On a percentage basis, the REA telephone borrowers operating in the red dropped from 44 percent in 1958 to 35 percent in 1959 and down to 26 percent in 1960.

I think this improvement is important when it is related to the challenge of area coverage which borrowers have undertaken. Improved margins offer borrowers the opportunity to push area coverage farther and faster. I hope all will keep pushing toward this common goal of ours to extend dial telephone service to all rural people who want it.

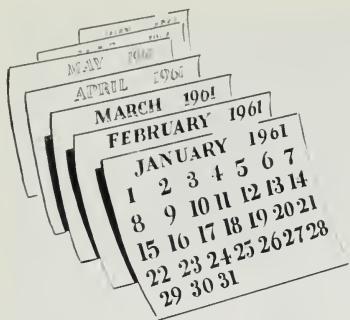

Administrator

Rural Lines

June E. Panciera, Editor

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SHEYENNE'S ANNUAL BILLING PLANS

The Sheyenne Valley Electric Cooperative at Finley, North Dakota, has revolutionized its billing methods. Last year for the first time it offered its members an optional choice of two new billing plans, both based on annual consumption estimates.

Under the first, called the Annual Billing Plan, the member pays in October of each year an amount equal to his previous year's consumption plus 10 percent. As a bonus for joining this plan, he receives a 4 percent discount on his annual bill. Under the second plan—the 12-Check Plan—the consumer deposits with the co-op 12 post-dated checks, each written for one-twelfth of his estimated annual bill. These checks are held in the co-op's safe until they become due, then are deposited to the co-op's account.

Forty-four percent of Sheyenne's membership have already joined one or the other of the plans and a much larger percentage is expected to take advantage of them in the coming year.

Sheyenne Valley, one of the last REA electric cooperatives formed in North Dakota, energized its first lines in July 1947. By the spring of 1949, however, it had built nearly 1,900 miles of line to serve its entire membership.

Located in small-grain farming country on the edge of the Red River Valley, Sheyenne serves thin territory. Its density averages about one member per mile of line. In addition to its rural people, it serves a tiny airbase,

and provides wholesale power via single transmission lines to two small towns—Hope, a town of 400 inhabitants, 18 miles south of Finley, and Sharon, which is 9 miles to the north and has a population of 250. A number of grain elevators are its only other commercial load.

Lyle Bryngelson, the cooperative's manager, conceived the idea for the new billing plans. Bryngelson, who had been an auditor for cooperative organizations since 1932, came to Sheyenne in 1948 as office manager. He became manager in 1954.

The annual billing idea came to him on a plane, while he was discussing a failing of his with some friends. He says he's like the shoemaker whose children go without shoes. He spends so much time keeping track of the co-op's accounts, that he's apt to forget his personal ones. He remarked casually that he wished he could pay his electric bill once a year and then forget about it.

The idea stuck in his mind and grew. The more he thought about it the more feasible it seemed. So he presented it to his board of directors to see what they thought of it. He asked them to reserve judgment until they had discussed it among themselves and with the membership.

Comments were encouraging. The board requested that Bryngelson explore further to see how the idea could be put into operation.

Bryngelson called in the coopera-



Lyle Bryngelson, manager of Sheyenne Valley Electric Cooperative, discusses the cooperative's new billing plans with Melvin Vosseteig, his office manager.

tive's accountants and they worked together to map out plans that would use acceptable accounting procedures. Later the accountants wrote up procedures to change the accounting system from a monthly to an annual basis.

Bryngelson then took his plan back to the directors, who, in a secret ballot, voted for it unanimously. Next Bryngelson and his office manager, Melvin Vosseteig went over their current billing system to determine what changes had to be made to handle annual-basis billing. The duties of various office personnel had to be reassigned to relieve some of the pressure on the billing department. The billing post card, too, had to be redesigned to allow space to compute the bill and also to indicate which plan the consumer is taking.

Under the annual plan, consumers read their meters only twice a year—in September to compute the estimate for the coming year's bill and in December

for REA. Bryngelson was afraid that eliminating monthly meter reading might raise some problems, so he conferred with the co-op's engineers. They assured him that it would not effect long range load studies or lessen control of line loss. As for detecting faulty or sticky meters, member honesty is a large factor, whether meters are monitored monthly or annually. Further, where load is heavy enough to turn over a meter twice a year, five-digit meters have been installed.

Members receive their estimate for the coming year in September and are expected to pay their bill during the month of October. They are asked to judge their estimate before paying. If they feel they are going to use more or less electricity than the cooperative has indicated, they are urged to adjust the estimate.

The first year's receipts under the Annual Billing Plan totaled about

\$150,000. Obviously, this much money could not be left lying around the office. Still, part of it had to be used each month for operating expenses. This problem was solved through investing in short-term securities, which could be cashed as needed.

More than 680 members joined the Annual Billing Plan. Bryngelson considered this an excellent showing, particularly since a large part of the crops in the area had been destroyed by a hailstorm, which left many members strapped for cash. An additional 239 joined the 12-Check Plan.

Bryngelson maintains rigid controls over the checks in the cooperative's care. To begin with, they are written with a check protector, which perforates the amount onto the check so that it cannot be altered.

They are controlled internally by three employees. The cashier accepts them from the consumers and turns them over to another employee, who sorts them by months and runs a tape showing each month's total. They are then turned over to the office manager, who locks them in the drawer of the vault. Only he has a key to this drawer.

As each month's checks come due the office manager gives them to the cashier, who prepares them for deposit and gives the deposit slip to the office manager. He checks the deposit slip against the tape in the vault.

Sheyenne Valley personnel recently completed an analysis of the annual billing system as compared with the monthly billing system. They found that, to process the entire membership's accounts on an annual basis, members and co-op personnel would handle 34,070 items of information and material. To do the same thing monthly required handling 507,900 items. Further, under the monthly billing system the members and the co-op spend \$1,602 for postage, \$504 for meter books, and \$3,000 for extra clerical help. Total expense under the yearly plans, however, would average only \$450.

Bryngelson and his board of directors are very pleased with their initial success. They feel that the coming year will be even better, with many more members joining one or the other of the annual plans.

Spotlight on Poles

A regional wood pole conference will be held at the University of Wisconsin on November 14-15. This eighth conference is the final one of a series, which began at the same university in 1959. All eight conferences were sponsored by universities and industry, including REA telephone and electric borrowers. On February 7-9, 1962, the first of a new series of conferences highlighting followup activities will be held at the University of Tennessee. The Tennessee Valley Public Power Association will lead this meeting.

Also of interest will be a workshop for personnel of pole treating plants, sponsored by Louisiana State University during the week of November 27-December 2. Three reasons are given for holding this workshop: (1) Insistence on quality control in pole production by REA; (2) Interest of electric and telephone systems in quality control, aroused by pole conferences; and (3) Realization by the treating industry that quality control is necessary and must be developed.

FOOD IS A BARGAIN

Rural electric power has helped to make food a bargain for the town and city family this Thanksgiving. The typical factory worker will be able to plunk down a day's pay on the super-market counter this fall and buy a whale of a lot more food than he could buy back in the 1947-49 period with 8-hour's wages.

In terms of prices, of course, food is higher now than it was 12 to 14 years ago. Since 1947-49, the cost of a market basket of farm-grown food has risen 12 percent, and the cost of all food, including meals purchased in restaurants, has risen 20.7 percent. But in the same period, the cost of housing has gone up 32.2 percent; rent, up 43.4 percent; transportation, up 46.6 percent, and medical care, up 60.4 percent. The relative stability of food prices actually has helped to keep the overall cost of living from spiraling up to dangerous heights.

But isn't the real cost of food what a worker can get in terms of his labor? Department of Agriculture economists think it is, and they point out that a factory worker's pay for a day will buy 4.8 more pounds of choice beef today than it did back in 1947-49. It will buy 11.2 more pounds of pork; or 13.6 more pounds of apples; 30.4 more cans of peas; 40 more pounds of potatoes. Not to mention two commodities whose production has been revolutionized by electricity! The worker can buy 12.8 more quarts of milk or 14.4 dozen more eggs.

It might be worthwhile as the holiday season begins to remind local editors and business groups that food *is* a

bargain today, and that the low prices reflect the enormously increased efficiency of the agricultural producer. The farmer, in turn, is more efficient because of machinery, fertilizer, better plants, insecticides—and cheap, reliable electric power. Before rural electrification, for example, each farm worker fed himself and 7 others. Now he feeds himself and 25 others, and the ratio continues to climb.

Unfortunately, the producer has found himself in a squeeze because many of the new tools of agriculture are costing him more than ever. The big exception is the electric power that he uses in production—to milk his cows; cool the milk; handle materials; feed and water animals; grade, candle, and cool eggs; clean the barn (and for at least 400 other purposes). Like food, electricity is a bigger bargain than ever.

Just before the start of World War II, consumers on REA-financed lines paid an average of a nickel per kilowatt-hour for electricity. By 1948, the average was down to 3.92 cents, and by 1960 it had fallen to 2.49 cents.

To put it another way, the typical farm consumer on co-op lines paid a monthly electric bill of \$5.34 in 1950 for 147 kwh of power. In 1960, he paid a bill of \$8.89, he got 357 kwh for his money—nearly 2½ times more power by paying an additional \$3.55. This steady decline in the average cost of rural power—one of the farmer's most trustworthy hired hands—is one important reason why food is the tremendous bargain it is this Thanksgiving season.



REA Administrator Norman M. Clapp (seated center) accepts check from Joel Clark (seated left). Looking on are Earl L. King, Earl Miller, and Kermit James.

ELECTRIC LOAN REPAYMENTS TOP \$1 BILLION MARK

Last month, repayments on the principal of REA electric loans reached the \$1 billion mark when Joel Clark, president of Allamakee-Clayton Electric Cooperative, Inc., of Postville, Iowa, turned over to REA Administrator Norman M. Clapp a check for \$43,272. The check represented the co-op's regular principal and interest payment on its more than \$4 million in loans from REA.

Mr. Clark was accompanied by Earl Miller, a director of the co-op, and Kermit James, its manager. Also present were Earl King, general manager of the Iowa Rural Electric Cooperative Association, and representatives of the National Rural Electric Cooperative Association. During the ceremony, REA made a 4-minute film and a radio tape for national distribution. The event also received nationwide press coverage. Later, the guests were honored at a luncheon at NRECA's headquarters.

In accepting the check, Administrator Clapp said, "This repayment of the billionth dollar loaned under the REA rural electrification program

is a dramatic demonstration that REA loans are not an expense, but an investment.

"This Federally-sponsored program," he continued, "has been first and foremost a great and productive investment in better living for our rural people. It has been an investment that is producing an ever-increasing return in greater production efficiency, better use of our human and natural resources, and expanding markets for our industry. And, as this occasion indicates—from a purely financial point of view, it is an investment that is being repaid in full—on schedule—even ahead of schedule."

The credit record of the rural electric systems is practically perfect, and the \$1 billion milestone in repayments was reached ahead of schedule. The amount includes \$172 million in principal payments made in advance of due dates. In addition to the \$1 billion, REA electric borrowers have paid the Government nearly half a billion dollars in interest, and principal payments continue to come in at a rate of \$3.6 million a month.

MAN ON A MOUNTAIN



Mark Stewart can't move mountains, so he concentrates on making them attractive places on which to live. Stewart, for 21 years manager of Sand Mountain Electric Cooperative, has been a vital force in the development of the Sand Mountain area of northeast Alabama. He has seen his cooperative grow from 1,813 consumers when it was organized in 1940 to the present total of over 12,600. He is proud that 99.8 percent of all the people in his service area can get electric service. But he has not been content during the last 20 years just to provide electricity to all who wanted it. He has, in addition, been alert to other needs in the territory and has assisted in satisfying them.

For example, back about 1950, Stewart recognized the area's desperate need for modern telephone service. He went to his board of directors and they authorized him to help form a telephone cooperative. They also gave him permission to use any co-op employees he deemed necessary to further the project.

As a result, he was instrumental in forming the Farmers Telephone Cooperative and in selecting Cecil Hodges as its manager. The electric co-op's employees took applications for tele-

phone service and the cooperative acted as custodian for the membership funds until the telephone cooperative began operating.

Farmers Telephone Cooperative now serves about 3,000 subscribers over more than 1,000 miles of line, and Manager Hodges says they are adding about 50 subscribers a month. The telephone and electric co-ops are still closely allied, as indicated by their joint pole use.

In 1956, Stewart involved himself in another public service project. While conducting a power use survey, he made a study of the area's water situation. His findings revealed that only half of the co-op's members had running water. He initiated a drive to install farm water systems among the membership. The drive was so successful that within 2 years the ground water level dropped to the point where folks were forced to drill new and deeper wells or redrill their old ones in order to get adequate water.

Undaunted by this turn of events, Stewart came up with another plan—to construct a central water system for the whole Sand Mountain area. This plan involved pumping water from the nearby Tennessee River. The idea kicked around until January 1960,

when the town of Section invited Stewart to air it before their civic leaders, and representatives of the nearby towns of Rainsville, Geraldine, and Fyffe.

The response to the proposed system was highly enthusiastic. Town leaders formed a Water Board, issued and sold bonds, and hired a contractor to do the work. Sand Mountain Electric Co-operative was chosen by the Water Board to act as the Sand Mountain

water system will go into operation in January 1962 with between 1,000 and 1,200 consumers.

Not content with his past contributions to the welfare of his community, Stewart now has a new bee in his bonnet—promoting tourist trade. Sand Mountain is located just across the valley from part of Lookout Mountain and offers many scenic attractions for tourists. Once again the co-op's board of directors has expressed its confi-



The Farmers Telephone Cooperative, which has brought modern telephone service to folks in the Sand Mountain area, owes its existence, in large part, to the efforts of Mark Stewart, dynamic manager of Sand Mountain electric co-op.

Water Authority, with responsibility for operating and managing the new water system for the first 2 to 5 years. Further, the co-op's board of directors authorized Stewart to accept chairmanship of the Water Authority until a permanent Water Board can be organized. The co-op has also accepted the responsibility of billing the water consumers along with the electric members until permanent management of the water system can be arranged. The

dence in Stewart's judgment by approving his promotion scheme which includes using the co-op's section of Alabama Rural Electric News—the Statewide publication—to feature recreational facilities that are available in the area. Stewart's friends and neighbors, who have witnessed the quiet determination with which he has attacked past projects, will not be surprised to see the area's tourist trade double or even triple in the near future.

INTRODUCING—THE CONTROLLERS DIVISION



Leslie Surginer

One of the major changes brought about by the recent reorganization of REA was the establishment of the Controller's Division. The new division brings together under one head many of the agency's financial and accounting functions previously handled separately. It is designed to provide closer contact on these functions with all borrowers in the electric and telephone programs and those in the newly formed Rural Areas Development program.

Leslie Surginer, former REA employee, has been appointed as Controller. Mr. Surginer returns to REA after working for several years with the Army Audit Agency and, more recently, with the General Accounting Office.

To perform its job efficiently, the Controller's Division has divided its functions among six branches. Three will handle internal matters, not primarily involving direct contact with borrowers.

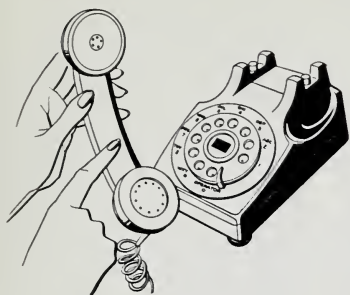
The division's principal contact with borrowers will be through the Bor-

rowers' Accounting Branch, which is subdivided into area groups corresponding to REA's five geographical areas. Each group is headed by an area accountant who is assisted by staff accountants in Washington and field accountants traveling in assigned areas. These groups will work directly with the electric and telephone area offices. Thus, the branch is in a position to provide accounting assistance to all borrowers as needed. The branch will also be responsible for supervising the audit of borrowers' records. A major part of this activity will be coordinating the CPA audit program. Branch personnel will also examine borrowers' records when necessary to establish a basis for loan security or assure that loans are used only for approved purposes.

The Audit Review Branch will be responsible for reviewing and evaluating all reports on audits of borrowers' records. The branch will help the area offices and Power Supply Division to advise borrowers on findings disclosed by audit examinations. From time to time the branch will make special examinations to determine whether approved CPA's are meeting REA's auditing standards.

The Technical Staff of the Controller's Division is available to help develop special accounting procedures to fit unusual conditions that may arise in the course of borrowers' operations. The staff is also responsible for preparing bulletins and instructions to guide borrowers and REA personnel on accounting and auditing procedures.

The new branch chiefs are: Wells Ludlow, Administrative Accounting; Howard Paine, Borrowers' Accounting; George Herzog, Budget; David Askegaard, Program Analysis; Clarke Phillipi, Technical, and Hubert Moore (acting), Audit Review.



"SELL-A-PHONE" MEETING IN NEBRASKA

More than \$51,000—that's the amount of projected sales represented by the staff of the REA-financed Glenwood Telephone Membership Corporation, Blue Hill, Nebraska.

Estimating conservatively, the employees will sell 88 main stations and 115 extensions during the last 5 months of 1961. At \$5 per station and \$1.50 per extension, this added revenue comes to about \$610, or \$122.50 per month. Multiply this by 12 and you have \$1,470 per year. Multiply again by the life of the REA loan and you arrive at \$51,450.

These estimates—and they are underscored as estimates—were calculated at a unique sales promotional meeting, attended by representatives of 10 Nebraska REA telephone borrowers and REA personnel late in July, at Hastings, Nebraska. It was the first such meeting held anywhere. Using the same formula, these borrowers estimated that the projected revenue they could bring in would amount to almost a quarter of a million dollars.

The Glenwood co-op played host at this meeting and later invited all the participants to come 20 miles to Blue Hill to practice their newly learned sales techniques on Blue Hill subscribers and prospects at a 2-day community homecoming and co-op headquarters open house. It was a citywide carnival-type affair sponsored jointly by the local Chamber of Commerce and the co-op, and complete with merry-go-

round, band music, baseball, and dancing.

The sales promotional meeting at Hastings was in preparation for many months. It was planned and staged entirely by the borrower, because the borrower wanted it. The objective was to make its staff think "sales-minded," since every person connected with a telephone borrower in any way can be a potential sales representative.

Hardie B. Whatley, REA telephone sales specialist, opened the gathering by asking the audience a "loaded" question: "There is an electric light in every room in your house. Why is these usually only one telephone, in the center of the house?"

Then he went on to explain the methods and techniques that telephone people can use in the never-ending job of sales promotion. For example, he called on the audience to stand up and give some of the answers they received when they tried to sell extension phones. A few of the typical ones were: they cost too much, we don't need one, they cause too much trouble, they are always in the wrong place, the teenagers monopolize them, they are always off the hook, kids play with them.

Then he asked the audience to present any comments they had received from subscribers *after* an extension had been installed:

1. A telephone extension saves hundreds of steps a day.
2. An extension permits you to an-



Mary Ann Alber, Glenwood secretary, adds a decorative touch to Nebraska borrower's new building.



High school band marches smartly down the street. REA borrower and C...

Nebraska REA telephone borrower representatives discuss sales promotion. Seated, from left, Koller, Arapahoe Telephone Co.; Bill Sandman, Diller Telephone Co.; Howard Rasmussen, Arapahoe Telephone Co.; G. I. Stevenson, American Communications Co.; David Ellis, Capitol Telephone Co.; Beat, Rodeo Telephone Co. Standing, Ken Werner, K & M Telephone Co.; V. A. Bittner, Telephone Co.; Bruce Hall, Farmers Telephone Co; Ben Wagner, Glenwood; R. A. Hunt, Telephone Co.





*mile-long parade to celebrate Blue Hill home-
er of Commerce sponsored 2-day affair.*

J. L.
Tele-
; Bill
Clarks
Tel.

*These two cute kittens, Michele and Doris Wagner, rode the Glenwood coop-
erative's float to victory in the Blue Hill community parade on the first day
of local homecoming celebration. That afternoon, the cooperative played host
to a big crowd at free movie showing of three telephone promotional films,
then treated the audience to refreshments, including sandwiches and coffee.*

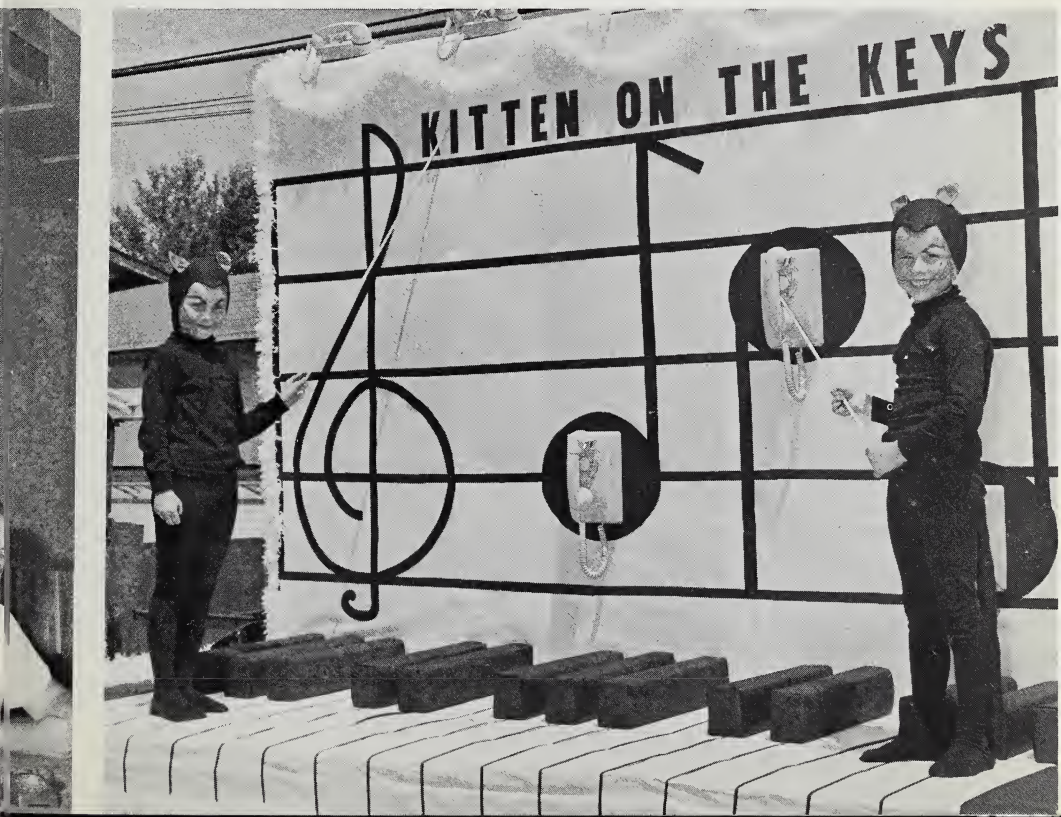
swer a phone more quickly.

3. It saves hours of time a month, and time is money.
4. It provides a built-in family conference circuit.
5. An extension is inexpensive—costs only about as much as a postage stamp per day.

These “before and after” statements served as the springboard for some valuable discussion. Results of much of that discussion are condensed in the accompanying box “More Stations . . . More Extensions . . . More Revenue.”

Ben Wagner, manager of the Glenwood co-op, was enthusiastic about the accomplishments of the meeting.

“REA makes loan funds available to us to build and modernize our system, and we appreciate that,” he said, “but what is probably more important, in



More Stations . . . More Extensions . . . More Revenue

People buy benefits. They don't buy the telephone instrument; they buy the use they can get out of it. Our job is to show them how useful and beneficial telephone service can be. In doing this we should:

1. Make clear to the subscriber that our desire is to make their telephone service as up-to-date and as useful as the other modern conveniences they have in their home.
2. Emphasize steps saved, convenience, privacy, emergency calls for police, doctor, or fire protection.
3. To those who say "Can't afford it," point out that the loss of one call may cause the loss of enough money to pay for a whole year's phone service.
4. Show how extensions in the bedroom, kitchen, or recreation room really save time and conserve physical energy.
5. Remind subscribers that a telephone is a wonderful gift for birthdays, anniversaries, Mothers Day, Fathers Day, Christmas, Easter, graduations, etc.
6. Be sure subscribers know what we have to offer, in addition to regular telephone service. For example, color phones, amplifying sets for the hard-of-hearing, recording sets for clergy and doctors, extension bells and gongs, PBX service for factories, hospitals, and motels, directory advertising, and extra listings.
7. Never talk too much. When the subscriber agrees, close the sale with a smile.

the long run, is technical advice and assistance, such as we received in order to plan this meeting. This kind of help—how to get more revenue with the least expenditure—is very valuable."

Glenwood's open house, too, was an outstanding success. More than 700 subscribers and other visitors were shown through the handsome new co-op building and the co-op's float "Kitten on the Keys" won first prize in the community parade.

All day long—both days—steady streams of visitors filed through the building. They received souvenirs (pencils, phone dialers, raincaps), and registered for the free phone calls that were awarded each day. The prizes consisted of two 4-minute calls anywhere in Nebraska, one 4-minute call anywhere in the United States, and one 3-minute call anywhere in the world. The co-op also gave away an extension phone, any color, including installa-

tion and 6 months' service.

When the celebration was over, citizens of Blue Hill and the eight telephone exchanges the co-op serves were more co-op conscious.

"Before now," Wagner explained, "many of our subscribers merely thought of us as a distant, impersonal business office. Now that they have visited our new building, seen the dial equipment, chatted with us, and enjoyed our hospitality, there is a warmer, more personal feeling between us. We want our subscribers to know that we are interested in providing them with the best telephone service possible. We think this celebration was a good way to tell them that."

Note to borrowers: Additional information and assistance on sales promotion are available. Write to REA, Telephone Engineering and Operations Division, Washington 25, D. C.

Shiawassee Stands for Service

The Shiawassee Telephone Company in Perry, Michigan, is a firm believer in buried plant. It has already put 81 miles of line underground, completing this job in 1960, in 27 working days. Shiawassee, serving 1,400 subscribers in southern Michigan's Livingston, Ingham, and Shiawassee counties, is progressing in other ways, too.

As Marshall Spaulding, treasurer of the company and president of the local bank put it, "Our telephone organization is nearly 60 years old, but it wasn't till the last 3 or 4 years that we really got going. With a 'young thinking' board of directors and a hard working manager, we embarked on an ambitious program of modernization. We began by buying the Morrice exchange in 1957; we purchased the Bell Oak exchange 2 years later, and then celebrated 1960 by three big achievements. In addition to burying 81 miles of outside plant, we changed from

magneto to common battery, and then from battery to automatic dial, all within that year."

Shiawassee's able manager, W. C. Schmidt is also a man with "young" ideas. "Our company is ready and able," he says, "to connect any and all subscribers requesting service within our service area. We also want to expand our facilities to serve new industries."

Schmidt was recently selected for membership on a local rural development committee, and was also elected to the village council, which is now working on plans to build a new municipal sewage disposal plant.

At present, one of the more sizable payrolls in Shiawassee's area is provided by the 1,000-acre Mahogany Farms, employing 25 men. The estate produces Black Angus show cattle, prize horses, commercial steers, and also boasts a small plant that turns out

Heart of the police station in Perry, Michigan is this automatic recording device (center) that receives and holds messages telephoned in while station is closed.



a patented concrete fence. Mahogany Farms has 14 telephones.

Shiawassee hopes to bring more industry to its area in the near future. Along with Schmidt on the local rural areas development committee is Ray Watkins, editor and publisher of the weekly "Shiawassee County Journal," and newly-elected president of the village council. ("Fancy name for mayor," he says.) The local RAD committee already has an application for Federal funds being considered. Shiawassee, however, is not waiting for RAD funds to serve its community.

"We have a very useful organization here," Schmidt explains. "By useful, I mean that our telephone system does more than just connect people to people. Our service means more than just a black or colored instrument for calling your neighbors. We help make our community a cohesive community, a place where families can settle down and raise their kids, surrounded by comfort, convenience, and safety. We serve schools, hospital, newspaper office, playground and swimming pool, the local bank, the police station, and the fire alarm system."

The company has performed a vital service to the community by installing and maintaining an emergency fire alarm service. Perry township hires and pays a special telephone operator to man the "fire phone" 24 hours a day. When a citizen calls to report a fire, this operator dials a secret number that turns on the town siren, summoning the volunteer firemen. In addition, Shiawassee maintains a special automatic relay mechanism in the equipment room, which eliminates the possibility of the general public turning in a false alarm through the volunteer fire system. Thus, the volunteers are called out only for actual duty.

The fire alarm system got a severe test in June 1960 when a local bottle-gas plant exploded and burned, show-

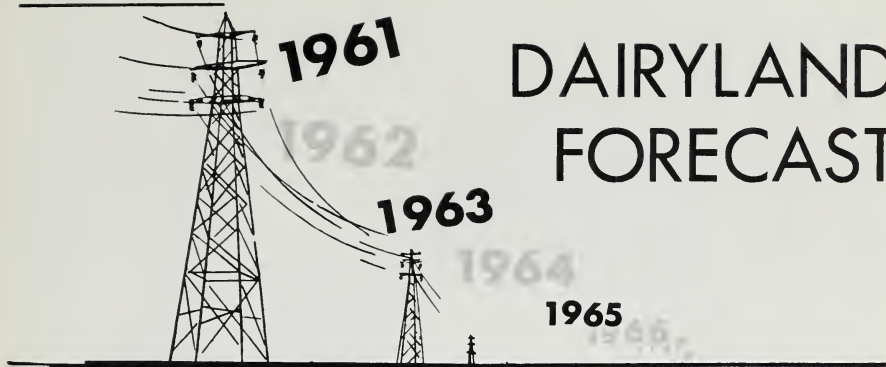
ering fragments of 100-pound steel drums over a 4-block radius. The REA borrower sounded the alarm and then helped to evacuate scores of families whose safety was threatened by the \$75,000 blaze.

Shiawassee also has aided the local police department. In a recent economy move, the town cut the size of its police force to one man. To provide as much protection for the citizens as possible, Shiawassee installed and maintains an automatic message recording device in the police station. When the officer comes on duty, he turns the mechanism on and is able to hear a record of all the complaints and requests for assistance that have come in via telephone during his absence.

When the Lansing Special Education Department, which deals with crippled children, recently requested equipment for muscular therapy and coordination treatment, Schmidt again came forward in the name of Shiawassee. He rounded up an old magneto switchboard and four telephones, all in working condition. He shipped them to the school, where they are now used daily. The children love to play "telephone company" and the exercise they get from plugging the lines in and out does them a world of good. Talking over the phones also helps in correcting speech defects.

Schmidt's latest idea is a group purchase plan. With two other REA telephone borrower managers—Glenn Watterson of the Southern Telephone Company, at Brooklyn, Michigan, and Lyle McGowan of the Lawrence Telephone Company, at Lawrence—he is negotiating for a buying pool arrangement whereby larger quantities of office supplies and other equipment could be bought at lower prices. Under the plan each borrower would be billed separately, but would share in the discounts such a plan would make possible.

DAIRYLAND FORECAST



Dairyland Power Cooperative's Association of Managers has launched a comprehensive 10-year load study and financial forecast in order to determine what generation, transmission, and distribution facilities will be needed to serve the anticipated load growth in the Dairyland system, year by year, during the next decade. The study also is expected to determine amounts of construction funds which will be necessary to meet the increased electric requirements of the more than 100,000 members in the Dairyland Power Cooperative system.

The managers of Dairyland's 27 member distribution cooperatives, as members of the Association, have submitted their considered estimates of load growth, and construction which will be needed in each of their systems during the next 10 years. These data will be compiled cooperatively by the Association and by Dairyland's engineering, accounting, and property records departments.

The study began when representatives of the member cooperatives, Dairyland staff members, and REA personnel got together and agreed upon a format and schedule of a series of five area group meetings in July and August, in Iowa, Minnesota, and Wisconsin. At these meetings the dis-

tribution member co-ops received assistance and suggestions from REA field personnel for completing their 10-year forecasts through a workshop type of study. Following these the Dairyland G&T revised their engineering studies and began making their 10-year financial construction and operational forecast.

There are several reasons why the Association joins REA in its interest in long-range financial studies for the borrowers. One of the foremost is that the study gives the borrower management an opportunity to review "from whence they came" and where they are going—financially-speaking. In this way, relationships—such as trends in expenses, in loads, in revenues, and in balance sheet positions—are more clearly focused in the mind.

The changes in balance sheet relationships provide the key factors that can guide the broader management policies, such as disposition of "reserve" funds, treatment of member-earned margins, etc.

The forecast will be of particular value to the Dairyland group because it will enable the directors of the generation and transmission cooperative to study their policies in relation to the financial situation and trends of the corporate members.



Financial forecasting takes concentration. Hard at work are: (from left) Palmer Hamlin, Thompson, Iowa, co-op; James Herbert, REA trainee; Frank Carlson, Dairyland; Harry Thiesfeld, REA engineer; and Wilbur Stecker, Dairyland.

Benefits also will accrue to the distribution cooperatives that comprise the Dairyland system. In many respects, it is necessary to study the entire system, the G&T and distribution co-ops—as well as each of its corporate financial structures.

When the 10-year financial forecasts are completed, each distribution system will have access to data on several indices of financial management for their study and guidance. For example, they will have information on such important matters as the retirement and replacement of plant items that will, sooner or later, become nonserviceable or obsolete. They will be able to see the effect on their financial structure.

They can give more thought to how aging plant will hold up under the increased demand of the consumers. They can consider, in many cases, increased services to the members. They can also analyze the amount and justification of reserve funds, the impact of

margin retirement to patrons, and the merits of self-financing of future plant additions, etc. Many of these factors are so interrelated that alteration of one could affect others. The study focuses attention on this interrelationship.

Further, the composite summary of the distribution members' studies will be of great value to the management of the Dairyland system in planning their future wholesale rate and extension policies. These policies will undoubtedly be tempered by the judgment of the boards of directors only after carefully analyzing the summary.

The Association is aware that REA is interested in the future long-range security of its borrowers, and in their fulfillment of the objectives of the REA program. They feel there is no better way of achieving this common objective than through better and more complete understanding of the cooperatives' financial structure. This study will help make that possible.

Power Supply Division

Tackles Wholesale Power Problems

REA's new Power Supply Division brings together a number of veteran specialists with experience in solving wholesale power problems. Director of the new division is Hoburg B. Lee, an engineer who joined REA after graduating from George Washington University in 1936.

The Division is divided into six branches. Daniel J. Hammond is chief of the Loans Branch, which handles loan applications and release of funds. Frederic K. McQueary, heads the Management Branch, which handles such management functions as advance of funds, system operation, operating reports, and financial forecasts. The Planning Branch, headed by William E. Rushlow, concerns itself with planning for future power supply. Ivan A. Bosman, chief of Power Plants Branch, has responsibility for matters pertaining to engineering and building generating plants, while Rowland C. Hand, Sr., chief of Transmission Branch, performs a similar function for transmission lines and substations.

Ernest W. Moldenhauer, who heads the Procurement Branch, handles wholesale power contracts, interconnection agreements, and contract negotiations.

Under the new set-up, all generation and transmission systems, which REA has already financed or will finance in the future, will deal with the Power Supply Division from the planning stage, through construction, and into operation. Although the Power Supply Division does not have a field staff, selected field personnel will work with power-type borrowers on some of their problems.

Mr. Lee has outlined a three-point criterion to guide borrowers in solving power supply problems.

First, planning should be long-range planning. Plans should show where REA borrowers expect to be 10 to 20 years from now, and how they expect to meet their load needs then. Further, such plans of course must be reviewed periodically to reflect

Branch chiefs examine a system map with Director Hoburg Lee of the new Power Supply Division. From left, Ivan Bosman, Power Plants; Daniel Hammond, Loans; Rowland Hand, Sr., Transmission; Lee; Ernest Moldenhauer, Procurement; William Rushlow, Planning; and Frederic McQueary, Management.



actual operating experience and changing conditions. They should permit the proper timing of G&T additions of proper capacity where necessary to meet load requirements.

Second, plans should include the maximum degree of coordinated group action. There is strength in concerted group action, and effective planning should reflect the interests of the whole group.

Third, G&T system plans must be executed hand-in-hand with proper long range distribution planning. A properly designed generation and transmission system should improve operating economies and enable it to extend as far as possible equal benefits to all member distribution systems.

Presently, the Division is studying the whole question of planning, and, within the next 6 months, it hopes to issue further guides to assist REA borrowers in this phase of their work. Further, the Division is most anxious to have the opportunity to sit down with borrowers in the early stages of

planning to review with them the various plans they may be considering, and through this to prevent some of the lost motion that has occurred in the past.

A careful analysis of the problems affecting the rural electrification program showed, in the first place, consumers served by REA borrowers are doubling their power needs every 7 years. In the second place, the very existence of many borrowers is threatened by power contracts containing dual rate provisions which prevent them from serving large power loads in their areas, and by territorial restrictions. Add to these the fact that during 1959 the cost of wholesale power amounted to more than 43 percent of the operating expense of REA distribution borrowers, and it becomes increasingly apparent that greater emphasis has to be placed on power supply problems, and that coordinated effort is needed to assure an ample supply of power for REA borrowers, at a reasonable cost.

REA Makes Second RAD Loan

Recently, REA approved a \$280,000 loan to the Roseau Electric Cooperative, Warroad, Minnesota, under the consumer financing provision (Section 5) of the Rural Electrification Act of 1936. The loan, to help one local company restore its burned out millwork plant, and to make it possible for another organization to expand its seed potato production, is the first in Minnesota and the second in the Nation approved in connection with USDA's Rural Areas Development Program.

The money will be used by the cooperative to finance electrical machinery and equipment for the two organizations, which are member-consumers of the co-op. They, in turn, will provide either full- or part-time employment for nearly 300 persons in the co-op's service area.

The first REA loan for RAD purposes was made on September 8, 1961, and the funds are being used by a cooperative in North Dakota to finance the installation of electrically-powered gravel crushing and washing machinery in a plant served by the co-op. It will create additional employment in that area.



ANGUS GET MUSIC WITH MEALS

In recent months, early morning drivers along the Turner Turnpike near Bristow, Oklahoma have been startled by strains of martial music emanating from groves of black-barked oak trees.

A military base? Not at all, its just Bob Blackstock's automatic range cattle (and one horse) feeder.

"Necessity," says Blackstock, a local attorney, "was truly the mother of my invention. It all began, because of the inconvenience of hurrying home from court appearances, hopping into my pickup truck, and dashing out to feed my 85 head of Angus cattle."

The cattle responded so well to a honk from the truck horn, that Blackstock began experimenting with music, and then with clocks and motors. After a good deal of tinkering, he came up with a finished product consisting of a tall tank holding $7\frac{1}{2}$ tons of bulk feed, a loud speaker mounted on an electric pole, and a time clock, record player, and electric motor in a metal box at the base of the pole.

Promptly at 7:30 each morn-

ing, the clock trips and starts the record player. After several musical numbers and a summons from Blackstock's recorded voice, the clock again goes to work turning on the electric motor, which starts the action to pull feed from the tank through a pipe into a trough. The tank, which can be loaded in minutes, holds enough feed to fill the needs of 100 head of cattle for half a winter.

Blackstock's installation, which he calls the "Bobstock Automatic Range Feeder" is served by the East Central Oklahoma Electric Cooperative. During the entire feeding season of about $5\frac{1}{2}$ months, it consumed only 6 kwh of electrical current, a huge saving over the cost of operating a pickup truck, to say nothing of the labor involved in feeding the cattle in the old manner. In its first year of operation, the "Bobstock" never failed once, and the cattle seemed to fare better for the regularity of their feeding, plus the controlled amounts they received.

New and Revised REA Bulletins . . .

New Bulletins:

- 800-1 (7/17/61), "Rural Areas Development." This bulletin establishes guidelines for REA's participation with its borrowers and their associations in the rural areas development program.
- 800-2 (7/25/61), "Department of Agriculture Personnel Engaged in Rural Areas Development Program." This bulletin provides a list of Department of Agriculture personnel, including those from REA, who are on area, state, and county Rural Areas Development Committees.
- 161-22 (7/25/61), "Application Guide for Transformers." This bulletin is a guide to the selection, application, and loading of distribution and power transformers.
- 850-1 (8/4/61), "Lending Programs of the Federal Government." This bulletin provides a list of Federal agencies engaged in lending activities of interest to rural areas development and an outline of their respective loan programs.
- 385-2 (8/9/61), "Methods of Purchasing Special Electronic Equipment for Use on Systems of Telephone Borrowers." This bulletin describes the procedures to be followed by borrowers in purchasing certain electronic equipment with REA loan funds.

Revised Bulletins:

- 24-1, 821-1 (7/11/61), "Electric Loan Policy for Section 5 Loans." A revision of REA Bulletin 24-1 to include provision for electrical machinery and equipment loans by electric borrowers under the Section 5 loan program.
- 43-5 (July 1961), "List of Materials Acceptable For Use on Systems of REA Electric Borrowers." A revision to reflect the changes since the last basic list of materials was issued in July 1960.
- 384-2 (7/13/61), "Final Documents, Central Office Equipment Contracts." A revision to incorporate close-out procedures for Central Office Equipment Contracts, REA Forms 525 and 545, and acceptance tests for toll office equipment and central office equipment.
- 184-3 (8/23/61), "Guide for Establishing Continuing Property Records." A revision to conform the bulletin to the revised Uniform System of Accounts.
- 105-1 (9/61), "Developing a Better Budget Program." A revision to place more emphasis on both the planning aspects of the budgeting process and the evaluation of progress and costs.



Members of the staff of the Yadkin Valley Telephone Membership Corporation assemble for first flag-raising, with president, James A. Parkes, (left) and manager A. William McDonald doing the hoisting. The metal flagpole, set in a concrete base is an object of great pride at the co-op's new headquarters.

In speaking of it president Parkes said, "We felt a flagpole for daily display of our Nation's flag was especially appropriate for our type of business, which is owned by so many of the people who make up the community around us. Too many businesses—and too many households—are so preoccupied these days with other affairs, that they overlook the opportunity to honor the symbols of our American heritage.

"We are proud of our locally-owned cooperative enterprise here in Yadkin County. Local ownership and cooperation are fine old American traditions that deserve more recognition. We are proud, too, of our American flag and intend to keep it flying over our headquarters. Maybe it will set an example for others."

THIS MONTH

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- 3 *Shenene's Annual Billing Plans*
- 5 *Spotlight on Poles*
- 6 *Food is a Bargain*
- 7 *Electric Loan Repayments Top \$1 Billion Mark*
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OFFICIAL BUSINESS

Observe

NATIONAL FARM-CITY WEEK



President Kennedy has proclaimed November 17-23, 1961, National Farm-City Week. This seventh observance of the building of better understanding between rural and urban people is particularly significant in view of the rural areas development program to improve economic conditions in rural areas.

Secretary of Agriculture Orville L. Freeman said of the observance, "National Farm-City Week provides a welcomed opportunity to report agriculture's success and true meaning to all our citizens."